

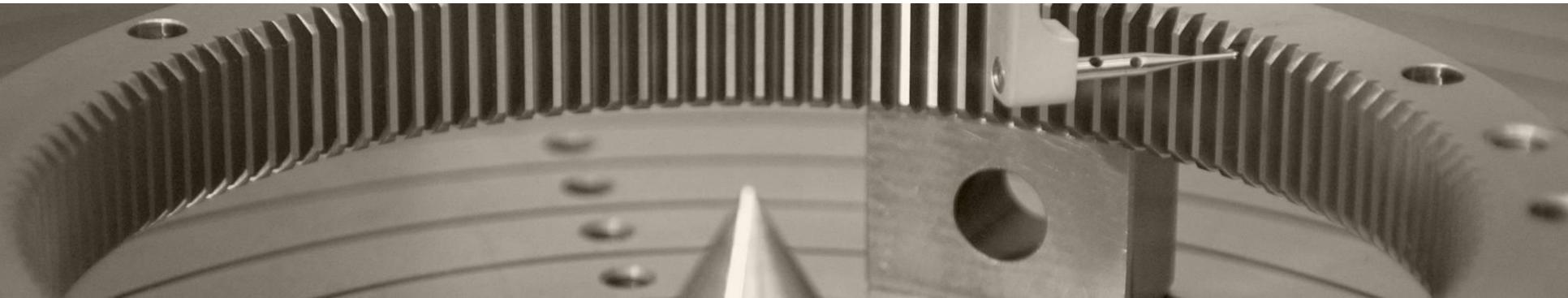
Capital Market Days 2011

August 23 – 24

Oerlikon Drive Systems

Gary Lehman

August 24, 2011



- 1** Did you know?
- 2** Technological Leadership
- 3** Markets & Customers
- 4** Operational Excellence
- 5** Tactics & Financials
- 6** Summary

1 Did you know?

2 Technological Leadership

3 Markets & Customers

4 Operational Excellence

5 Tactics & Financials

6 Summary

**innovation
has a name**

œrlikon

Golf / Recreational
(Transaxles)

Fire Rescue Vehicles
(Planetary Swing Drives)

Electric & Hybrid Autos
(Transmissions)



In everyday life.....

Applications

In Unexpected areas.....Off shore vessels



Lamborghini Aventador



.....Or even in your dreams

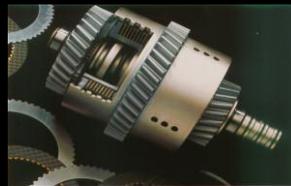
Industry leader with a wide range of gear and drive solutions

Gear Components



Broad range of gears, shafts and gear components of all types

Off-Highway synchronizers & clutch packs



A wide range of synchronizers, clutches and clutch packs

Off-Highway driveline products



Rigid and steer drive axles

Torque - Hub® Planetary Drives

High-end automotive transmissions



Multi speed transmission for premium class automobiles

Gear Components for

*Drive train and power transmission
assemblies*



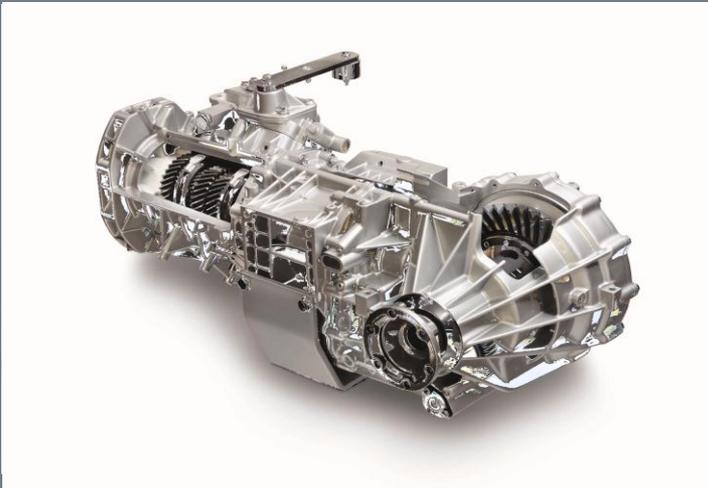
Synchronizer & Clutch Assemblies for

*Agriculture & Construction
Equipment*



Gear Components for

*Drive train and power transmission
assemblies*

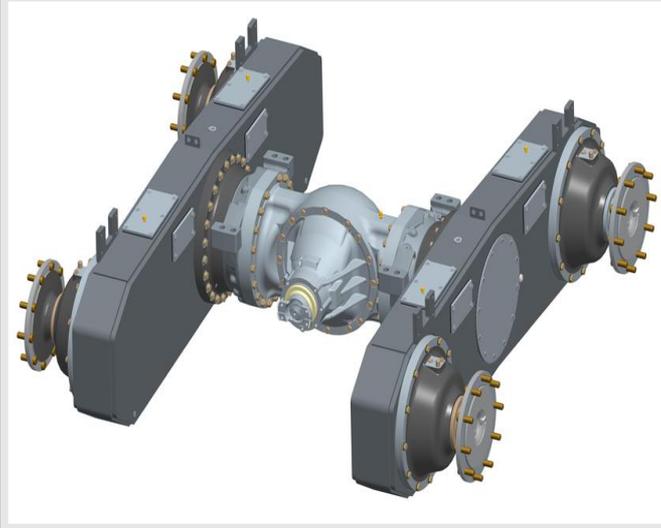


Synchronizer & Clutch Assemblies for

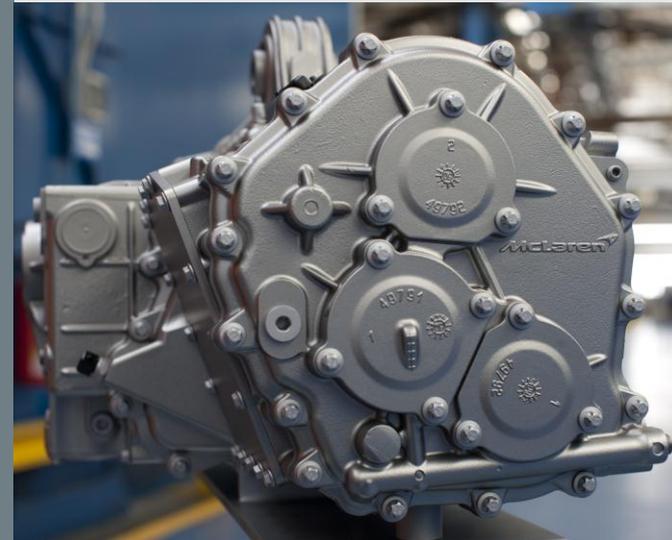
*Agriculture & Construction
Equipment*



Off – Highway Drive Line Products for Construction Equipment



High End Automotive Transmissions



Off – Highway Drive Line Products for Construction Equipment

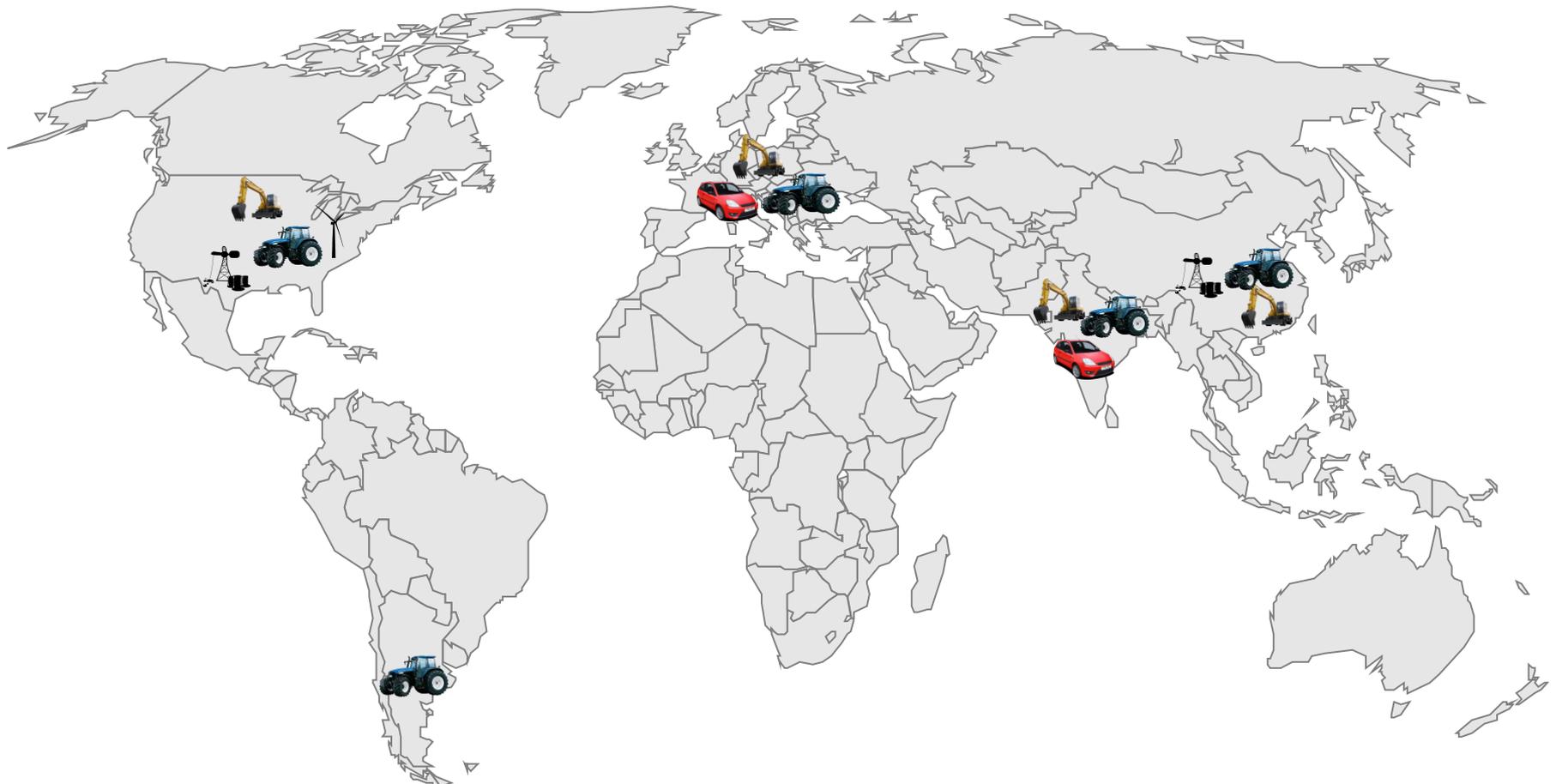


High End Automotive Transmissions



Key Regions

- Construction 
- Energy & Mining 
- Agriculture 
- Auto 
- Wind 



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What is a Drive System?

A combination of gear and power transmission components

Propel Vehicles,
Machinery and
Equipment



Positioning – lifting and
rotating

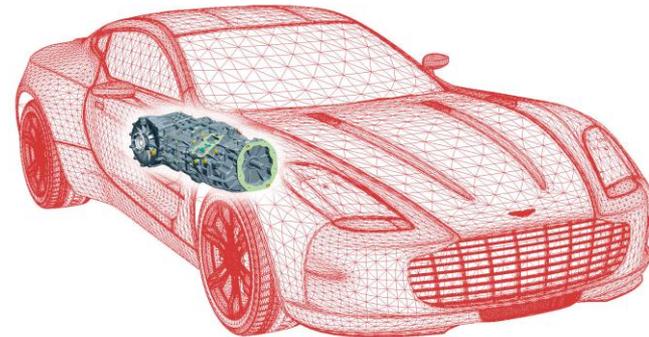
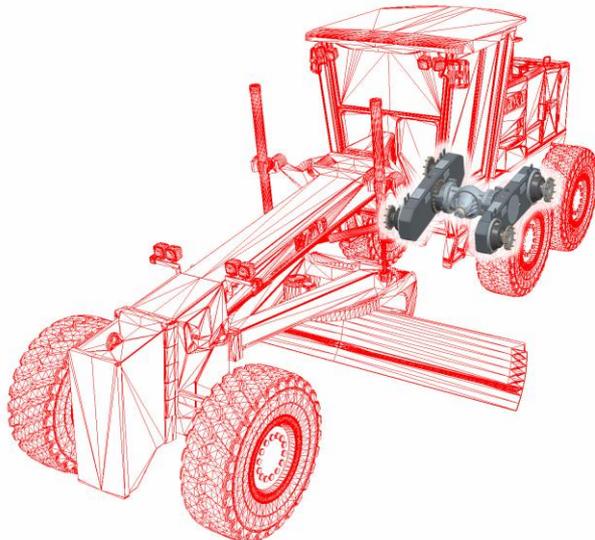
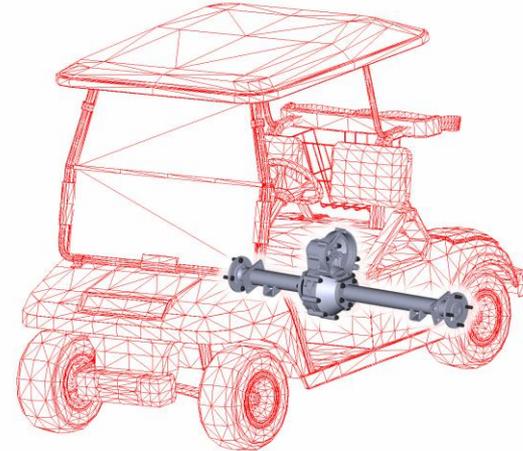
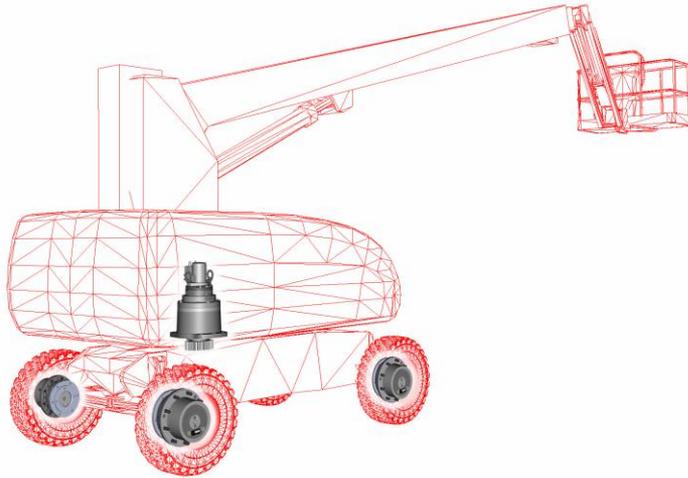


Perform work – grinding,
cutting, mixing,
shredding



Where are Drive Systems found?

Example locations in aerial platforms, golf carts, road-graders and luxury automobiles



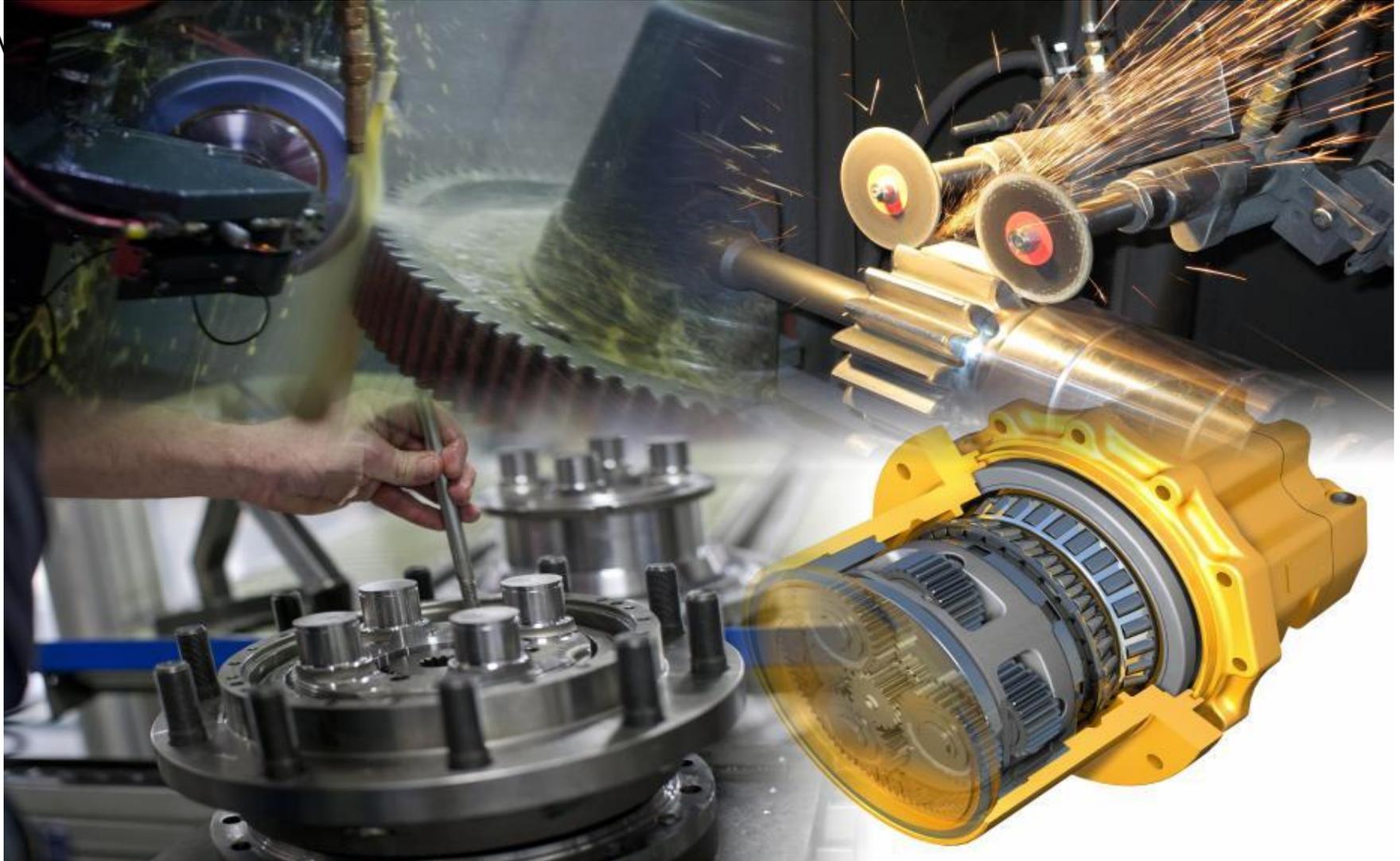
Extensive experience in development and proper *application* of the right solution



High Quality - Precision Manufacturing

oerlikon

From 2mm to 2 meter sizes we produce high precision gears and drives for the most demanding applications



Customer Motivation

Why do they come to Oerlikon Drive Systems?

Our Capabilities



Deep “Customer Understanding”

- Understand application & performance needs
- Strive to give them a “competitive edge”
- We have the “critical mass” and processes to get the job done!

Global Manufacturing Support



Manufacturing footprints in major OEM production locations – USA, Europe, China and India.

Can “go where they go!”

Well Known Brand & Long Standing Relationships

oerlikon
graziano

oerlikon
fairfield

- Not a “new comer” to the industry
- Solid reputation for quality, technology, and experience
- High comfort level and trust



LEWEK CONQUEROR

LEWEK CONQUEROR

Product Innovations

Electric Vehicle Systems

E07H



Higher torque capability – electric drive solution for demanding vehicle applications - enabling ‘greener’ designs for off-highway equipment.

2 Speed Electric Driveline



Next generation design for commercial vehicles provides a second gear ratio for less energy consumption and better acceleration.

Electric Vehicle Transaxle



Transaxle optimized for passenger light vehicles and featuring an integrated parking mechanism.

Product Innovations

Off - Highway

Compact
Tracked Loader
Drives



Faster speed, higher torque capability, greater efficiency and cooler operating temperatures result in superior performance and higher machine reliability

CVT Chain
Transmission



Continuously Variable Transmission provides wide vehicle speed range, high efficiency and low noise. Designed for heavy – duty applications of all types

New
Synchronizer
Innovations



New long – life, high – efficiency synchronizer line offers 30% + fuel savings and low emissions. Developed for demanding applications.

Product Innovation

On-Highway Drive Systems

7 Speed
Transmission



Latest 7 speed transmission design offers 50 millisecond shift time – fastest on the market.

Dual Clutch
Transmission



Sequential shift gearbox takes DCT transmissions to a new level – allowing drivers to pre-select the next gear on a secondary clutch – reducing shift times

Low Floor Axles
for City Bus



Axle design eliminates ‘step-up’ – providing “easy entry” and improved passenger convenience

innovation
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erlikon



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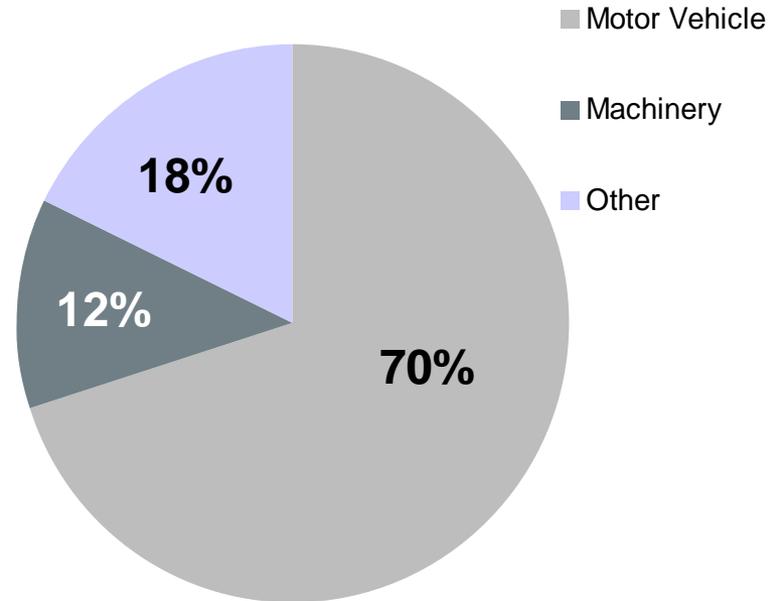
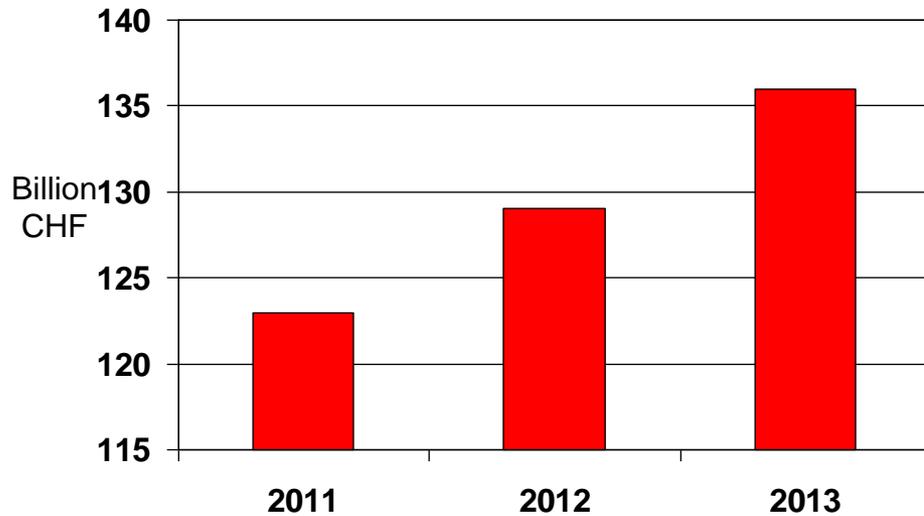
4 Operational Excellence

5 Strategy

6 Summary

123 Billion CHF global gear market

- By end of 2011
- Industry averaging YOY increase of 4.7%
- Projected to reach 136 Billion CHF by 2013



Projected to reach 136 Billion CHF by 2013

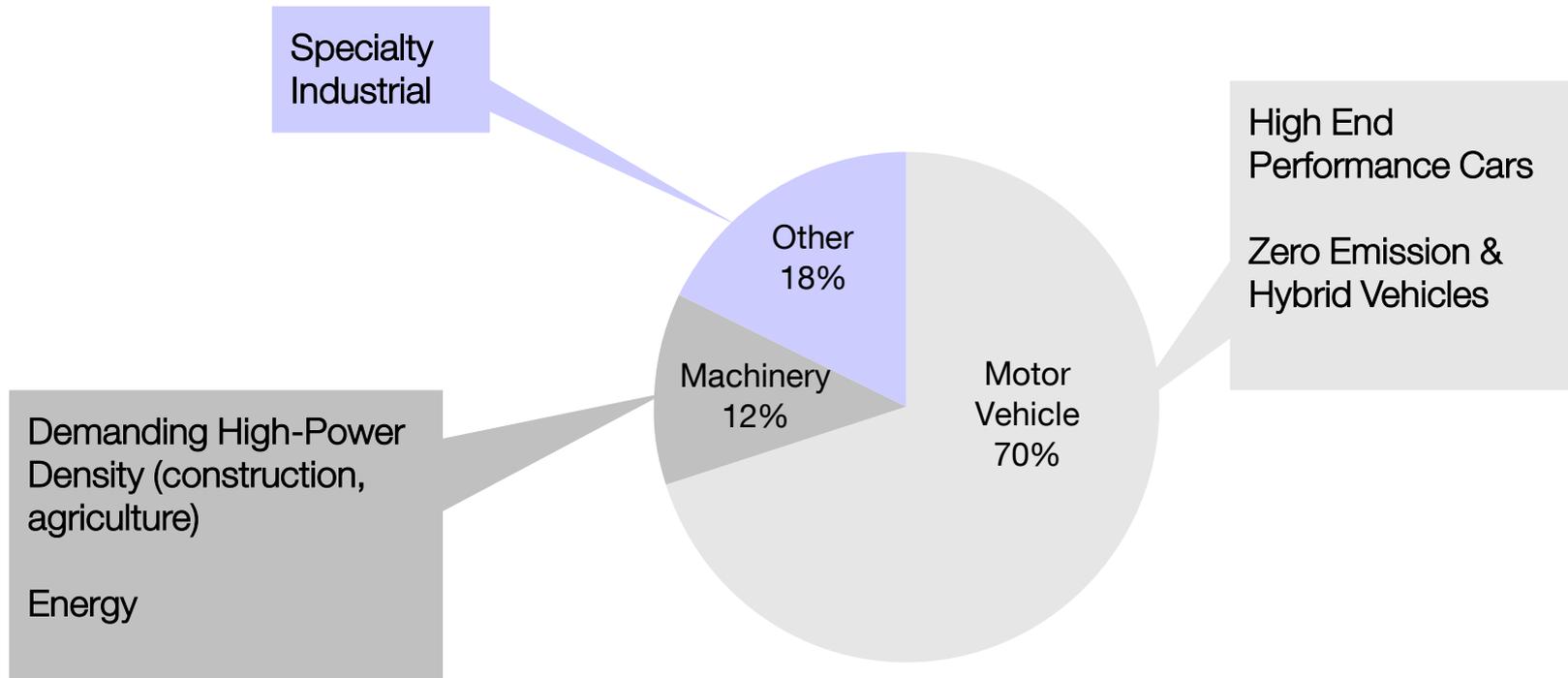
Based on data from:

Freedonia Associates Global Gear Market Study 2010

Global Gears, Drives and Speed Changers Market – Global Industry Analysts, Inc. 2010

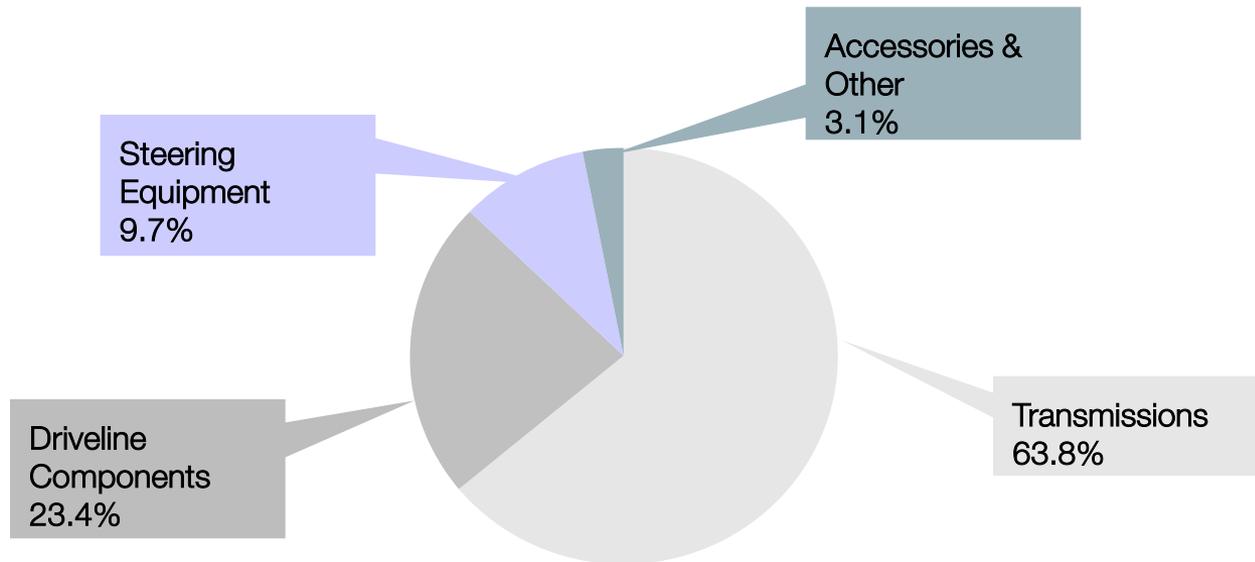
Target Market Segments

Focus on “niche” areas of markets

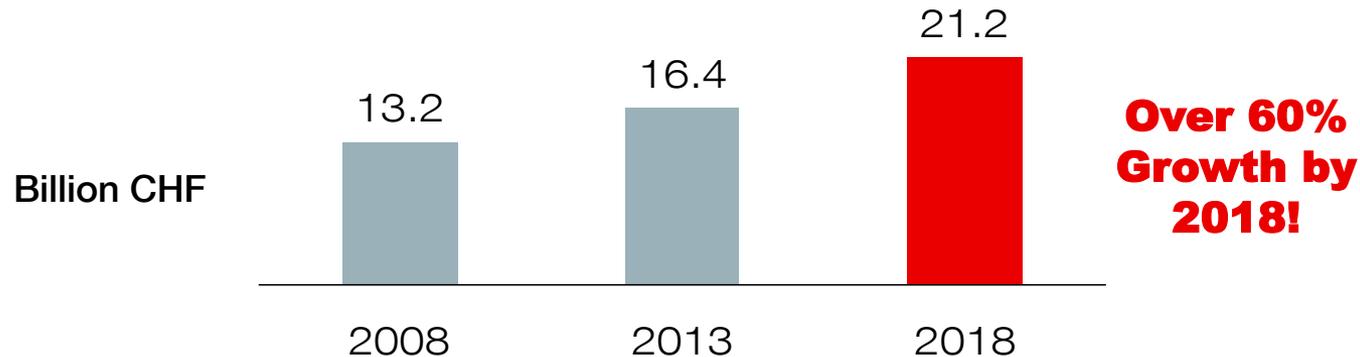


High Growth / High Profit
Sub – Segments of the
120 Billion+ CHF global gear market

Global Gear Demand by Application



Gear Demand for Machinery Applications – projected growth through 2018



Based on data from:

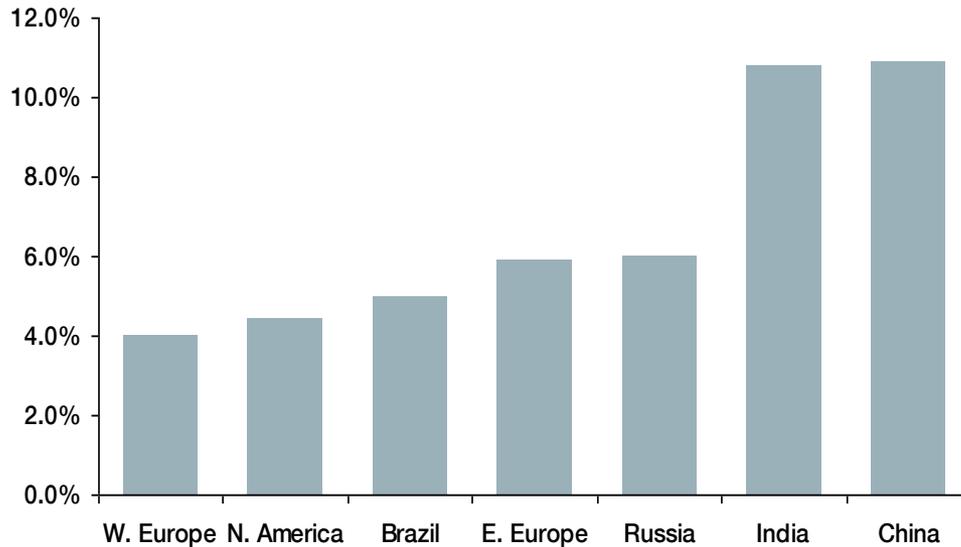
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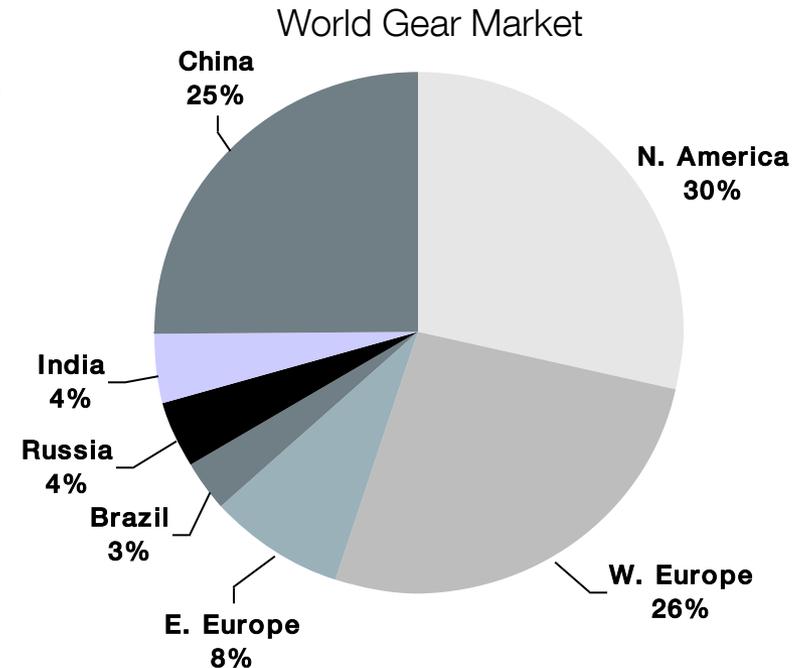


Global Footprint in High Growth Regions

Projected Annual Growth Rate



- Emerging markets continue to lead growth trends
- Growth fueled by high level of industrialization
- Europe and N. America remain significant players in gear market



Drive Systems

Ideally positioned in attractive high growth market segments

Off-Highway



Specialty Industrial



Energy



Transportation



Zero-emission & Utility recreational Vehicles



Automotive (premium cars)



Our Vision

The global leader and preferred choice in the design, manufacture, and supply of gear and drive solutions for OEM's in the on / off – highway and specialty industrial machinery markets.

Drive Systems – Market Drivers

Growth Drivers



Global agricultural demand for food, bio – fuels, etc.



Increased worldwide energy demands



Global focus on renewable “green” energy



Infrastructure build – up in developing countries

Market Demand



Continued demand for agricultural machinery



Equipment for oil exploration, mining and fossil fuels



Wind power development



Construction, rail and transportation development

High profile client portfolio

Relationships spanning over 50 years

Agricultural Equipment	
Construction Equipment	
Utility and Material Handling	
Aerial Platforms, Boom Lift Equipment	
Rail	
Specialty Automotive	
Commercial Vehicles	
Energy	
Specialty Industrial	

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Driving underlying performance improvement

- Drive Systems utilizes a variety of tools (lean, six sigma, CTR, etc.) that help support our efforts to develop processes that will drive operational excellence.

- Our focus includes among others the following areas:
 - Service levels to customers
 - Productivity
 - Cost of quality
 - Working capital investment
 - Cost reduction
 - Vendor performance

Operational Excellence – Case Study

Indexable Carbide Shaping

Machine tool design drives productivity

- The demand for Frac pumps, utilized in the extraction of natural gas, has more than double in the last two years
- Oerlikon Drive Systems manufactures the internal tooth gearing for this application which requires special gear shaping machinery
- Each shaping machine produces 2,000 gears/yr using traditional high speed steel cutters
- By developing indexable carbide cutters, shaping time was cut by 50%
- Sales per shaping machine is increased by \$1.6 m providing \$1.0 m incremental contribution margin at standard

Operational Excellence – Case Study

Internal Gear Broaching

Product design lowers investment & Improves profitability

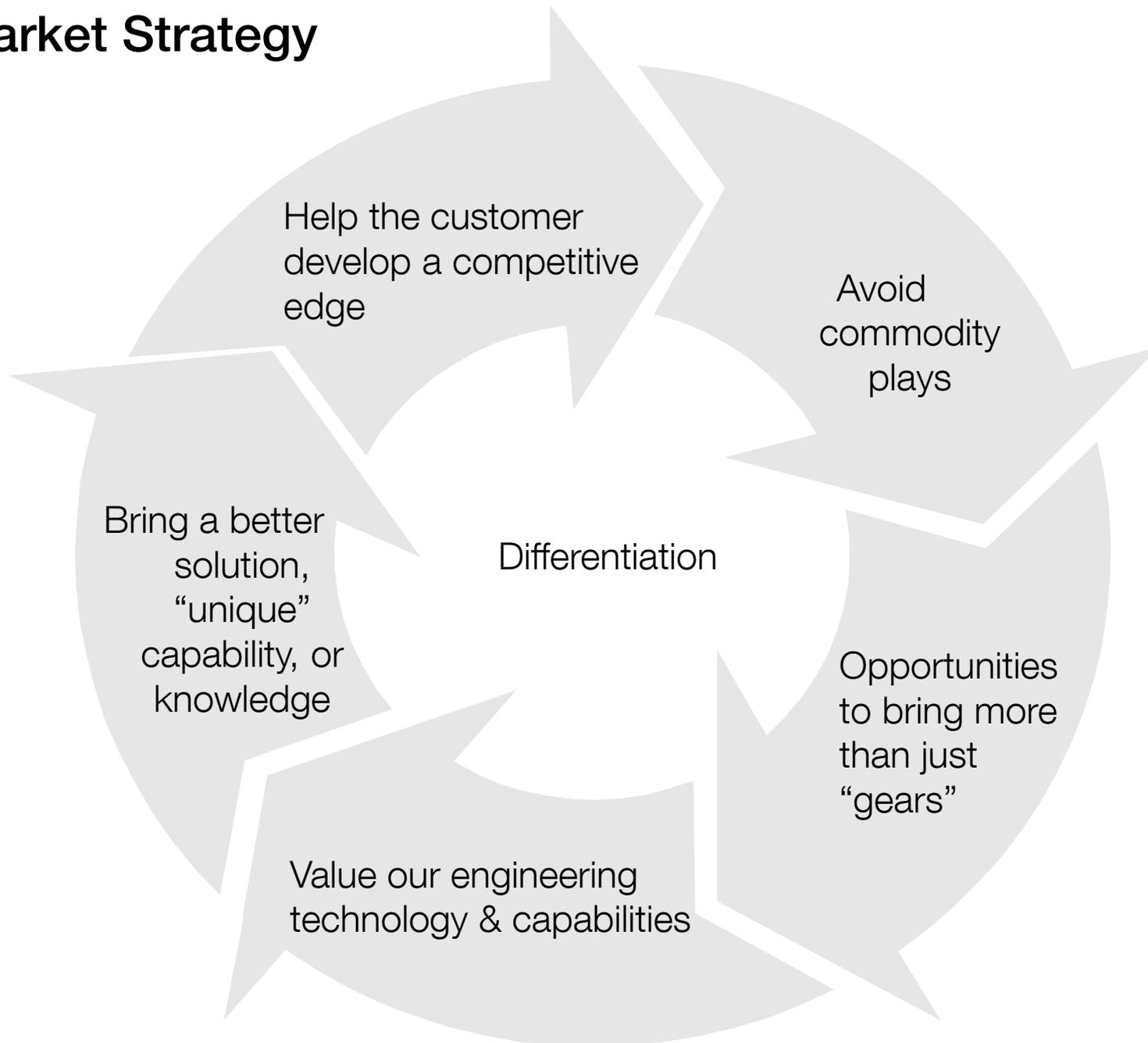
- Torque-Hub final drives have undergone design improvements to meet the demands of road construction machinery and specialty agricultural equipment at reduced manufacturing cost
- Internal tooth gearing has been designed for broaching, eliminating the need for multiple gear shaping operations
- A single broaching machine produces 100,000 internal gears/yr supporting \$50 million in product sales
- Contribution margin is increased by \$1.6 m by broaching versus shaping internal gearing

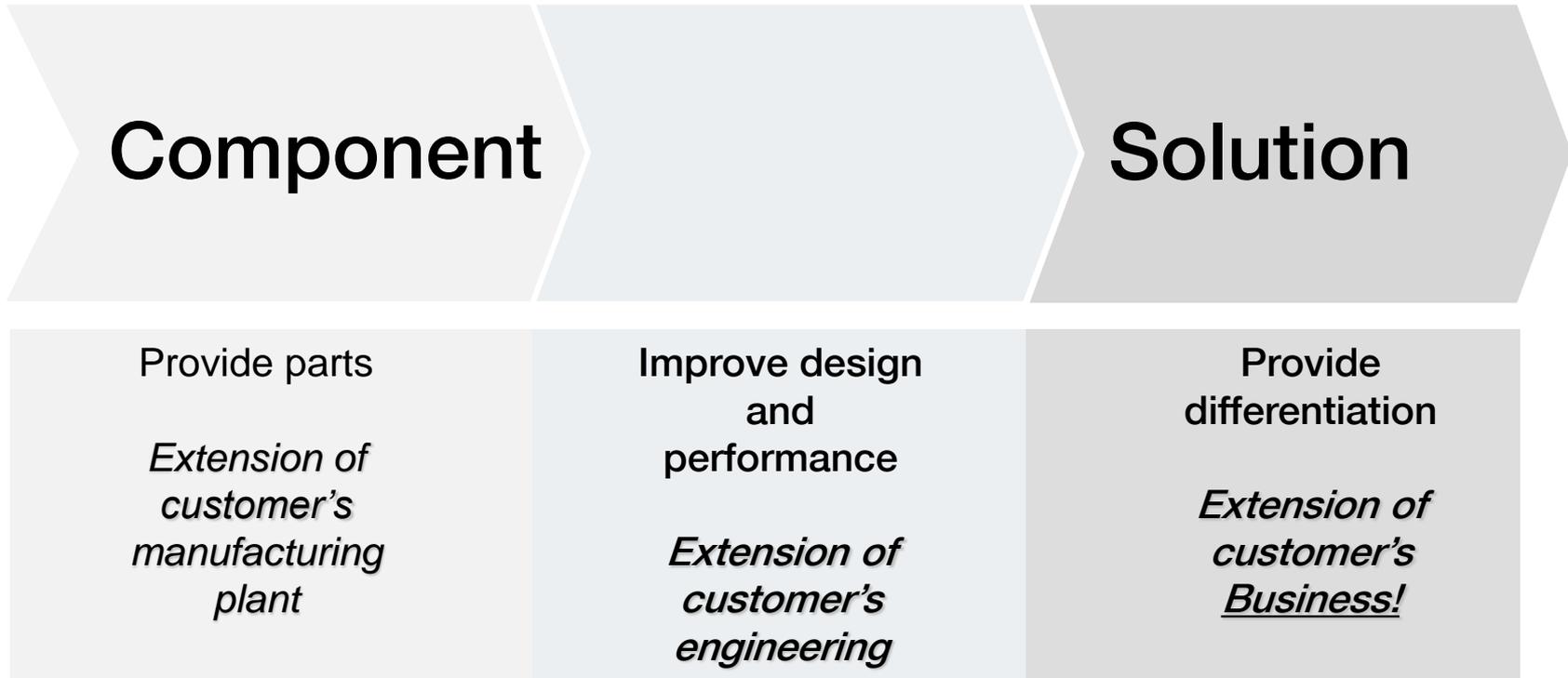
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Drive Systems Segment Strategy

- Extensive global manufacturing foot print in all major regional markets
- Targeted at “high growth – high profit” regions & market segments
- “*Go where our customers go*” – localized service and support
- Develop new customers in domestic regions



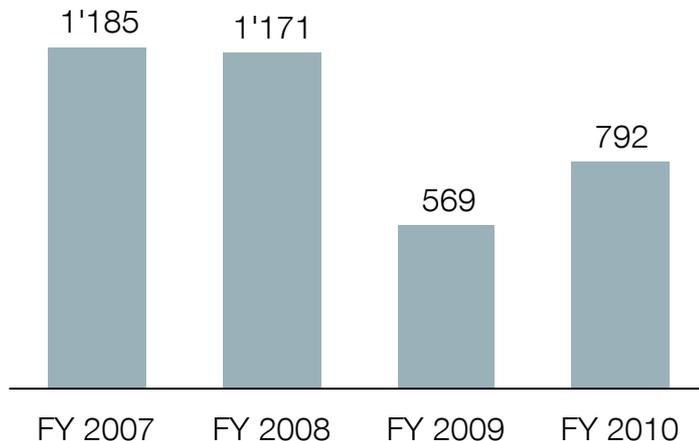
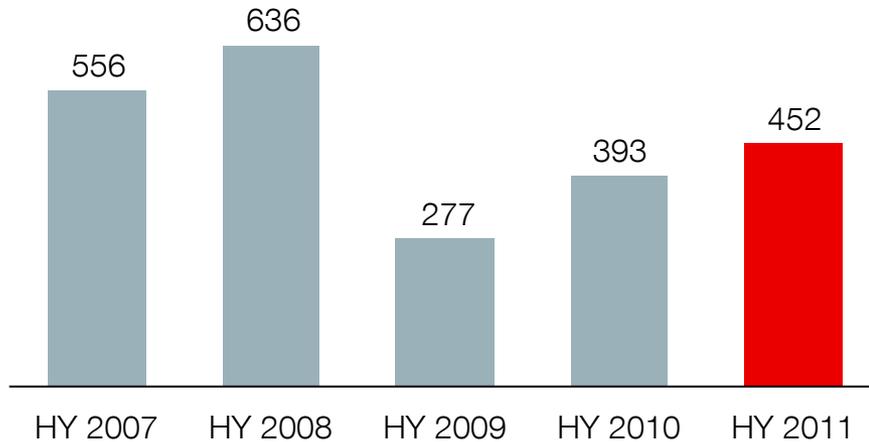




Recovery Underway Across Multiple Markets

Order Intake Drive Systems 2007 – HY 2011

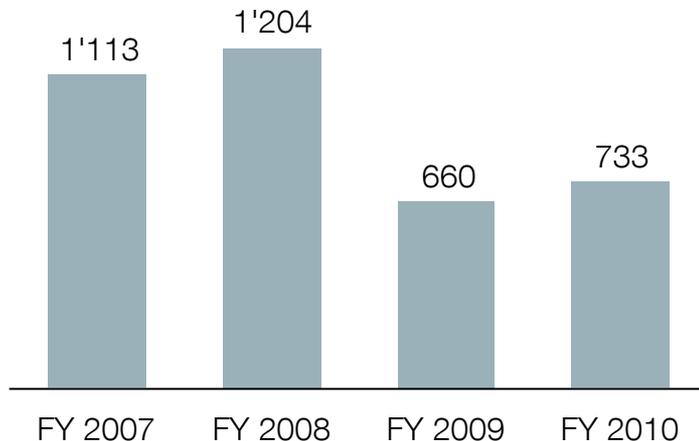
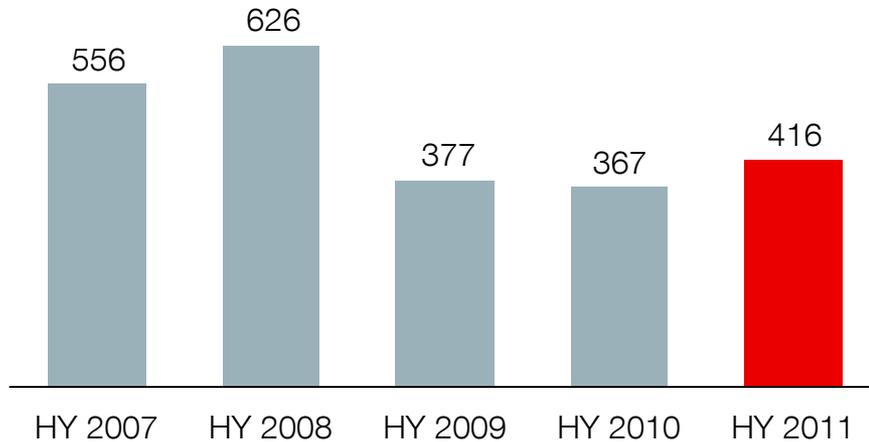
in CHF m



- Steady recovery in overall demand since 2009
- Increasing markets share after the cyclical low in 2009
- Rising commodity prices boost demand in agricultural and mining market sectors
- Aerial lift customers take steps to replace aging rental fleets
- Upgrading transmission technology in emerging markets plays to ODS strength
- A recovery in economic growth drives higher demand for heavy haul freight

Sales Drive Systems 2007 – HY 2011

in CHF m

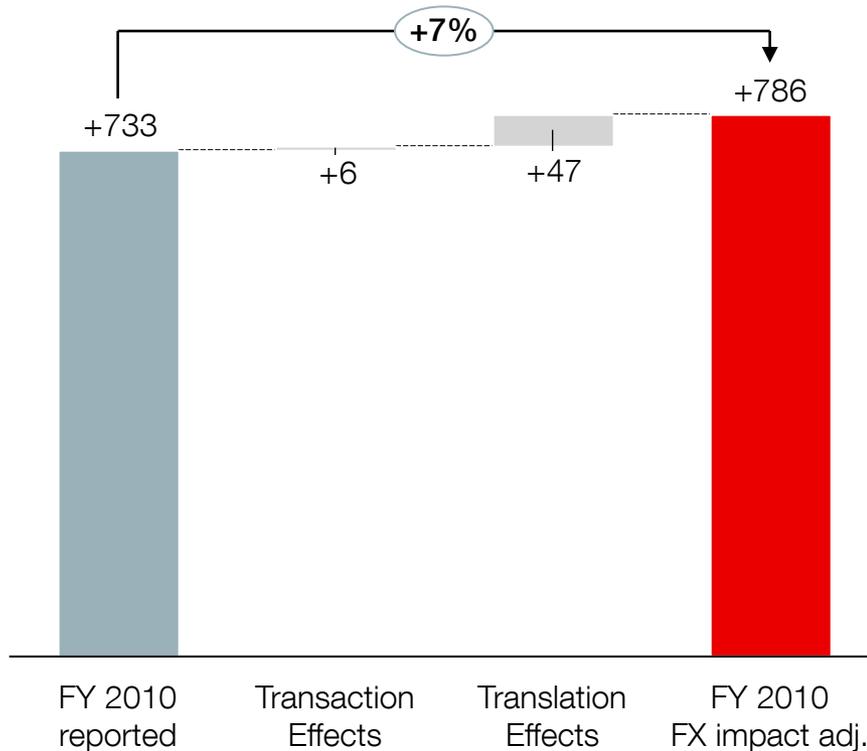


- Reported HY 2011 sales growth versus 2010 amounts to 13%
- Adjusted for currency effects the growth in sales reaches 31%
- Strong demand in agricultural markets, continued growth in oil/gas markets and increased in activity in mining and heavy haul truck markets due to rising commodity prices
- Continued growth in China and India construction markets coupled with a recovery from the cyclical low in Europe and the United States

Strength of Swiss Franc Understates Organic Growth

Oerlikon Drive Systems Sales 2010

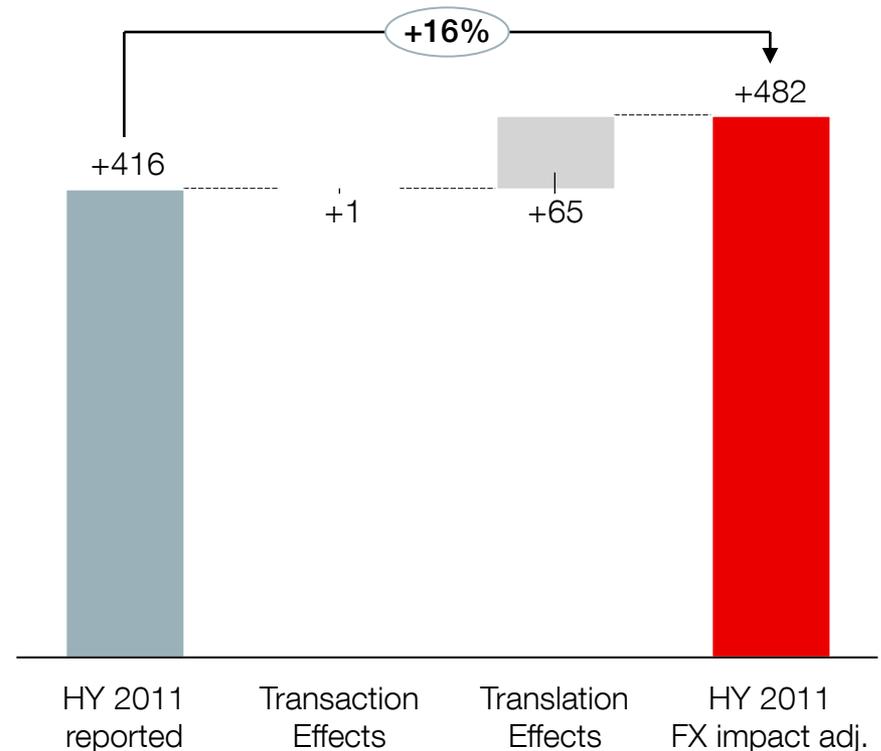
in CHF m



Currency adjusted FY 2010 Sales
Increased 19% versus FY 2009

Oerlikon Drive Systems Sales HY 2011

in CHF m

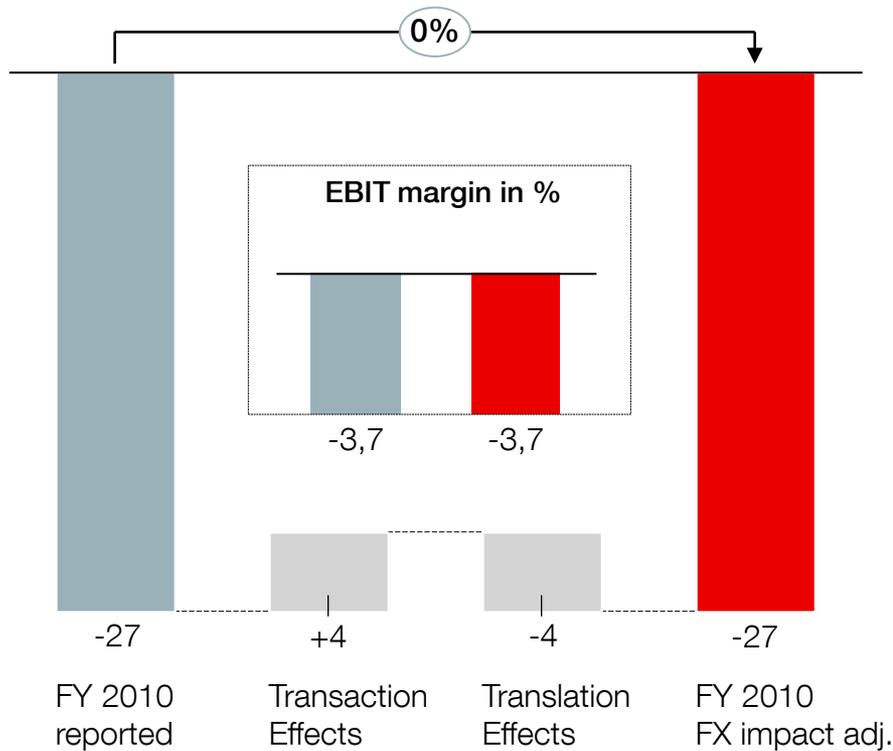


Currency adjusted HY 2011 Sales
Increased 31% versus HY 2010

EBIT Margin hardly affected due to translation effects

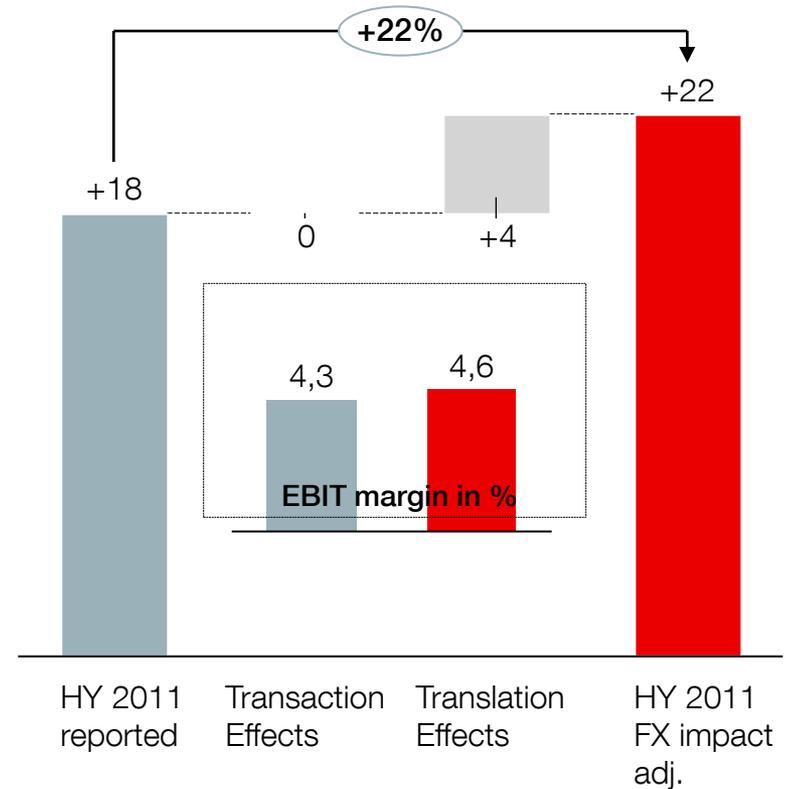
Oerlikon Drive Systems EBIT FY 2010

in CHF m



Oerlikon Drive Systems EBIT HY 2011

in CHF m

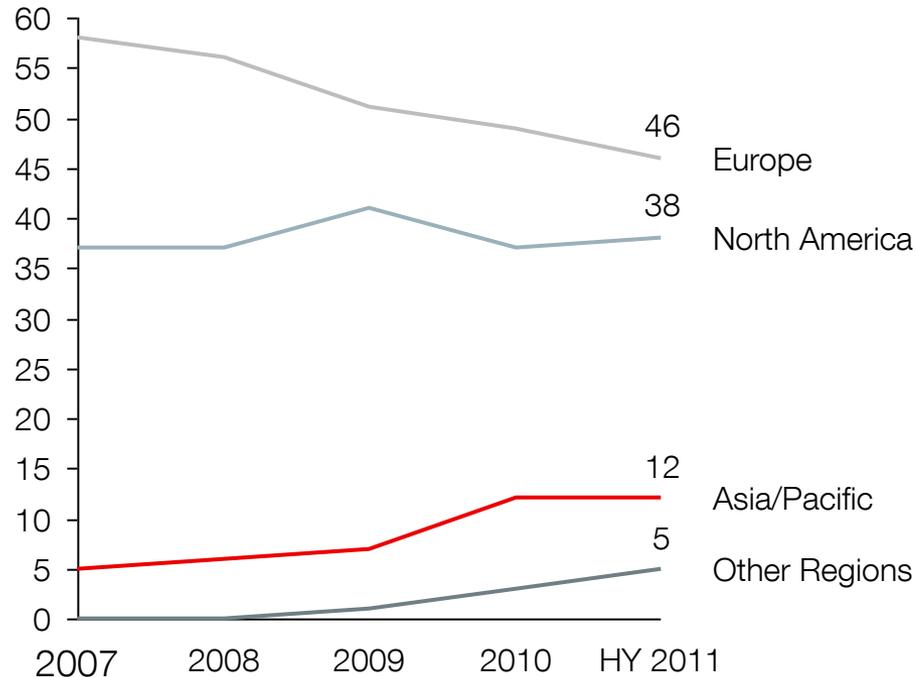


- Global network reduces currency exposure
- Currency impact resulted from translation effect into reporting currency CHF

Expanding Global Reach

Regional Sales Split Drive Systems 2007 – HY 2011

in %



- Growth in emerging markets outpace Europe and North America
- Customers are becoming more global with a greater presence in India and China
- Drive Systems strategy includes larger manufacturing footprint in India and China

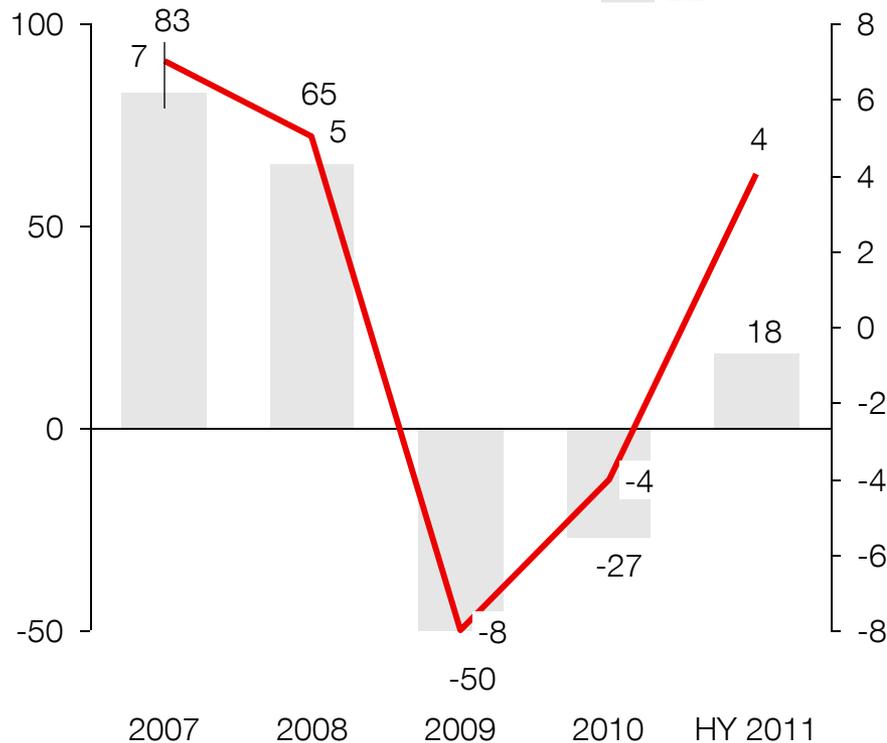
Drive Systems Better Positioned During Upturn

EBIT and EBIT Margin Drive Systems 2007 – HY 2011

in CHF m / in %

— EBIT Margin %

■ EBIT



- A recovery in customer demand and the benefits of restructuring efforts help drive improved profit performance
- Higher production volumes are leveraged across a lower fixed cost base
- Current environment reflects raw material shortages and higher steel costs
- Continuing efforts to insure rising steel costs are recovered through higher selling prices

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Technological Leadership

- Highly advanced gear and power transmission capabilities
- Innovation pipeline focused on high – growth industry segments
- Globally recognized provider of engineered drive solutions

Markets & Customers

- Global strategy targeted at high – growth and developing regions
- Strong customer relationships and demonstrated ability to provide “value based” solutions

Operational Excellence

- Utilization of various tools for underlying performance improvement
- Manufacturing improvements increasing profitability
- Product design changes to decrease investments and lift margins

Tactics

- Global manufacturing footprint focused on high – growth / high – value opportunities
- Differentiation strategy aimed at providing the customer with a competitive advantage in their respective market place

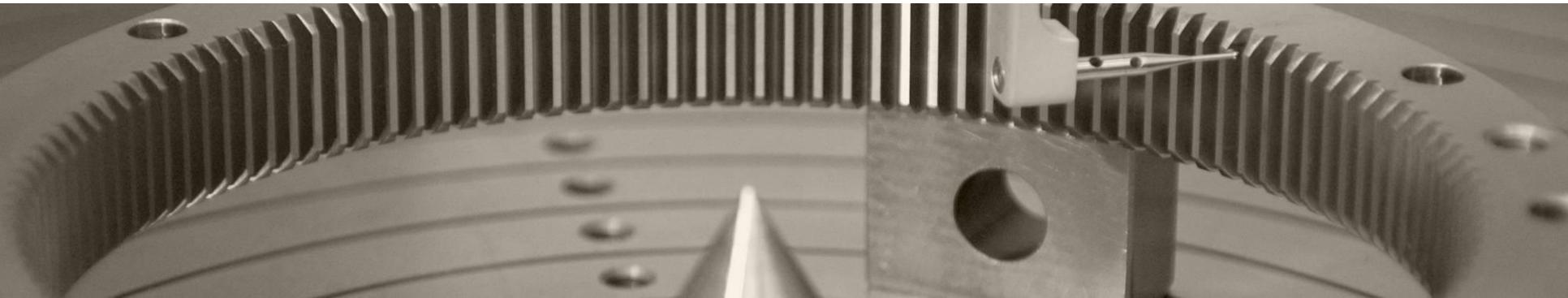
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